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TOWN OF COLFAX, LOUISIANA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/4/09

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ROZIER, HARRINGTON & MCKAY

CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE • ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, CPA
MARK S. MCKAY, CPA
LEE W. WILLIS, CPA
STEVEN E. KIMBALL, CPA
RHONDA L. RACHAL, CPA

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1608
TELECOPIER (318) 487-2027

M. DALE HARRINGTON, CPA
RETIRED - 2005

December 23, 2008

Independent Auditors' Report

The Honorable Gerald Hamilton, Mayor
and the Board of Aldermen
Town of Colfax, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colfax, as of and for the year ended June 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Colfax's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

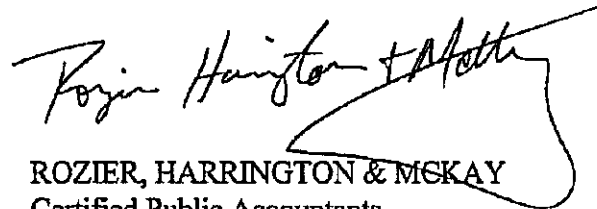
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colfax, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2008 on our consideration of the Town of Colfax, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government*

Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information listed in the accompanying table of contents are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Colfax's basic financial statements. The general fund schedule of expenses – budget and actual and the combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The general fund schedule of expense – budget and actual, and the combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ROZIER, HARRINGTON & MCKAY
Certified Public Accountants

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TELEPHONE (318) 442-1608
TELECOPIER (318) 487-2027

M. DALE HARRINGTON, CPA
RETIRED - 2005

December 23, 2008

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Gerald Hamilton, Mayor
And the Board of Alderman
Town of Colfax, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Colfax, Louisiana (the Town), as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements and have issued our report thereon dated December 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Colfax's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2008-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Colfax's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing

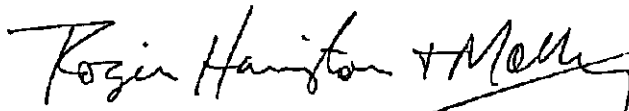
our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Town of Colfax's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Colfax's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all matters in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Colfax's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiencies, Finding 2008-1 described in the accompanying schedule of findings and questioned costs to be a significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Colfax's internal control.

This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.


ROZIER, HARRINGTON & MCKAY
Certified Public Accountant

Town of Colfax

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

This section of the Town of Colfax's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2008.

Overview of Financial Statements

The basic financial statements include government-wide financial statements and fund financial statements. These two types of financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government –Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. Furthermore, the government-wide statements include all of the Town's assets (including infrastructure acquired after July 1, 2003) and all of the Town's liabilities (including long-term debt).

The government-wide financial statements are divided into two categories, which are described as follows:

- **Governmental Activities** – Expenses incurred in connection with providing basic services including police protection, fire protection, culture, recreation, public works, and general administration are reported as governmental activities. The governmental activities are financed by taxes, license fees, fines, court cost, interest, grants, and contributions.
- **Business-Type Activities** – Expenses associated with providing utility services are recovered through fees paid by the customers that utilize these services. These activities are operated in a manner similar to commercial enterprises. Accordingly, activities associated with the utility system and sanitation services are reported as business type activities.

Fund Financial Statements

Fund financial statements provide detailed information regarding the Town's most significant activities and are not intended to provide information for the Town as a whole. Funds are accounting devices that are used to account for specific sources of funds. The Town has two types of funds that are described as follows:

- **Governmental Funds** – These funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, the governmental funds use a modified accrual basis of accounting that provides a short-term view of the Town's finances. Assets reported by governmental funds are limited to amounts that are

TOWN OF COLFAX

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets.

- **Proprietary Fund** – These funds are used to account for activities that function in a manner similar to commercial enterprises, including activities associated with the Town's utility system and sanitation services. Proprietary fund financial statements typically provide a more detail presentation of the information reported in the business-type activities portion of the government-wide financial statements.

Financial Analysis of the Town as a Whole

A comparative analysis of government-wide data is presented as follows:

Net Assets

A condensed version of the government-wide Statement of Net Assets is presented as follows:

	June 30, 2008			
	Governmental Activities	Business-Type Activities	Total	For the Year Ended June 30, 2007
<u>Assets:</u>				
Current and other assets	\$ 209,445	\$ 293,915	\$ 503,360	\$ 477,869
Capital assets	534,025	2,414,794	2,948,819	3,024,457
Total assets	<u>743,470</u>	<u>2,708,709</u>	<u>3,452,179</u>	<u>3,502,326</u>
<u>Liabilities:</u>				
Current and other liabilities	43,192	250,443	293,635	202,180
Long-term liabilities	10,344	49,421	59,765	62,955
Total liabilities	<u>53,536</u>	<u>299,864</u>	<u>353,400</u>	<u>265,135</u>
<u>Net Assets:</u>				
Invested in Capital Assets (Net)	534,025	2,414,794	2,948,819	3,024,457
Unrestricted	155,909	(5,949)	149,960	212,734
Total Net Assets	<u>\$ 689,934</u>	<u>\$ 2,408,845</u>	<u>\$ 3,098,779</u>	<u>\$ 3,237,191</u>

As the presentation appearing above demonstrates, the largest portion of the Town's net assets (95.0%), are invested in capital assets. Net assets invested in capital assets consist of land, buildings, and equipment less any debt used to acquire the assets that remain outstanding. The Town uses these capital assets to provide services to its citizens; consequently, these amounts are not

TOWN OF COLFAX

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

available for future spending. The remaining unrestricted net assets (5.0%) may be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Assets

A condensed version of the government-wide Statement of Changes in Net Assets is presented as follows:

	<u>June 30, 2008</u>			<u>For the Year Ended June 30, 2007</u>
	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	
<u>Revenues:</u>				
Program Revenue:				
Charges for Services	\$ 15,132	\$ 885,613	\$ 900,745	\$ 909,975
Operating Grants and Contributions	2,500	---	2,500	1,500
Capital Grants and Contributions	----	91,878	91,878	964,960
General Revenue:				
Property Taxes	73,510	----	73,510	70,394
Sales Taxes	287,292	----	287,292	285,557
Franchise Taxes	63,778	----	63,778	64,886
Occupational Licenses	89,619	----	89,619	92,648
Payment in Lieu of Taxes	6,823	----	6,823	7,682
Miscellaneous	28,004	3,087	31,091	25,714
Total Revenue	<u>566,658</u>	<u>980,578</u>	<u>1,547,236</u>	<u>2,423,316</u>
<u>Program Expenses:</u>				
General Government	234,633	----	234,633	230,165
Public Safety	172,972	----	172,972	152,176
Streets, Drainage, and Recreation	265,260	----	265,260	243,419
Utility System	---	956,970	956,970	894,841
Sanitation	-----	55,813	55,813	64,780
Total Expenses	<u>672,865</u>	<u>1,012,783</u>	<u>1,685,648</u>	<u>1,585,381</u>
Increase in Net Assets				
Before Transfers	(106,207)	(32,205)	(138,412)	837,935
Transfers	6,103	(6,103)	----	----
Change in Net Assets	<u>(100,104)</u>	<u>(38,308)</u>	<u>(138,412)</u>	<u>837,935</u>
Net Assets Beginning	790,038	2,447,153	3,237,191	2,399,256
Net Assets Ending	<u>\$ 689,934</u>	<u>\$ 2,408,845</u>	<u>\$ 3,098,779</u>	<u>\$ 3,237,191</u>

TOWN OF COLFAX

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Governmental activities decreased the Town's net assets by \$100,104. This decrease is partially due to depreciation expense of \$79,751. The remaining decrease is due to increases experienced in current year expenditures.

Business-type activities decreased the Town's net assets by \$38,308. This decrease is due to increases in expenditures related to the Town's natural gas system.

Financial Analysis of the Town's Funds

For the year ended June 30, 2008, activity in governmental funds included the general fund, and the LCDBG Sewer Project. The LCDBG Sewer Project is accounted for in the capital projects fund. The only differences between amounts reported by the general fund and governmental activities reported in the government-wide financial statements are attributable to including fixed assets and long-term debt in the government-wide presentation and grant and revenues related to the utility system.

Amounts reported for business-type activities in the Town's individual funds differ from the business-type activities reported in the government-wide presentation by the grant and revenues related to the utility system.

General Fund Budget Highlights

The general fund is the only fund required by law to adopt a budget. The budget was amended as necessary. Some revisions of the original budget were necessary in order to address additional expenditures incurred. A summary of the general fund budget compared to actual amounts is presented as follows:

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues	\$ 504,165	\$ 511,240	\$ 566,656	\$ 55,416
Total Expenditures	682,560	644,300	607,498	36,802
Excess (deficiency) of revenues over expenditures	(178,395)	(133,060)	(40,842)	92,218
Operating Transfers In (net)	135,000	50,000	6,103	(43,897)
Net Change in Fund Balances	\$ (43,395)	\$ (83,060)	\$ (34,739)	\$ 48,321

TOWN OF COLFAX

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008

Capital Asset Administration

Capital asset activity for the year ended June 30, 2008, is summarized as follows:

	Govern- mental Activities	Business- Type Activities	Total
<u>Additions:</u>			
Improvements to Utility System	\$ ----	\$ 24,010	\$ 24,010
Utility relocation	----	80,665	80,665
Miscellaneous	12,665	----	12,665
Total Additions	12,665	104,675	117,340
Depreciation	(79,751)	(113,227)	(192,978)
Net Increase (Decrease)	(67,086)	(8,552)	(75,638)
Beginning Capital Asset (Net)	601,111	2,423,346	3,024,457
Ending Capital Assets (Net)	<u>\$ 534,025</u>	<u>\$ 2,414,794</u>	<u>\$ 2,948,819</u>

Highlights of the Town's capital asset administration are provided as follows:

- Improvements to the Town's utility system were for improvements to the sewer treatment plant. These improvements are funded through a Community Development Block Grant.
- The State of Louisiana Department of Transportation and Development replace a bridge during the year that impacted a portion of the Town's utility system. Therefore, the Town had to relocate utilities as part of the project.
- Miscellaneous additions included a new lawn mower and a new phone system in the Town Hall.

Factors Expected to Effect Future Operations

No events and conditions are expected to have a significant influence on future operations.

Town of Colfax

STATEMENT OF NET ASSETS

June 30, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 127,551	\$ 143,410	\$ 270,961
Receivables (net)	75,037	151,465	226,502
Interfund Receivable	4,840	(4,840)	-
Prepaid insurance	2,017	3,880	5,897
Non depreciable capital assets	207,068	6,232	213,300
Depreciable capital assets, net	<u>326,957</u>	<u>2,408,562</u>	<u>2,735,519</u>
Total assets	<u>743,470</u>	<u>2,708,709</u>	<u>3,452,179</u>
<u>LIABILITIES</u>			
Accounts payable	32,754	146,803	179,557
Accrued expenses	10,438	6,886	17,324
Deposits due others	-	96,754	96,754
Long-term liabilities			
Due in more than one year	<u>10,344</u>	<u>49,421</u>	<u>59,765</u>
Total liabilities	<u>53,536</u>	<u>299,864</u>	<u>353,400</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	534,025	2,414,794	2,948,819
Unrestricted	<u>155,909</u>	<u>(5,949)</u>	<u>149,960</u>
Total net assets (deficit)	<u>\$ 689,934</u>	<u>\$ 2,408,845</u>	<u>\$ 3,098,779</u>

The accompanying notes are an integral part of the financial statements.

Town of Colfax

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
<u>Expenses</u>						
<u>Governmental Activities:</u>						
General Government	\$ -	\$ -	\$ -	\$ (234,633)	\$ -	\$ (234,633)
Public Safety	15,132	2,500	-	(155,340)	-	(155,340)
Streets, Drainage, & Recreation	-	-	-	(265,260)	-	(265,260)
Total Governmental Activities	15,132	2,500	-	(655,233)	-	(655,233)
<u>Business-Type Activities:</u>						
Utility System	817,450	-	91,878	-	(47,642)	(47,642)
Sanitation	68,163	-	-	-	12,350	12,350
Total Business-Type Activities	885,613	-	91,878	-	(35,292)	(35,292)
Total Primary Government	\$ 900,745	\$ 2,500	\$ 91,878	\$ (655,233)	\$ (35,292)	\$ (690,525)

General Revenues:

<u>Taxes:</u>			
Ad Valorem	73,510	-	73,510
Sales Taxes	287,292	-	287,292
Franchise	63,778	-	63,778
Occupational Licenses	89,619	-	89,619
Payment in lieu of taxes	6,823	-	6,823
Other	28,004	3,087	31,091
Transfers	6,103	(6,103)	-
Total General Revenues and Transfers	555,129	(3,016)	552,113
Change in Net Assets	(100,104)	(38,308)	(138,412)
Net Assets Beginning	790,038	2,447,153	3,237,191
Net Assets Ending	\$ 689,934	\$ 2,408,845	\$ 3,098,779

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Balance Sheet

Governmental Funds - June 30, 2008

	<u>General</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 127,541	\$ 10	\$ 127,551
Receivables (net)	75,037	-	75,037
Interfund Receivable	4,840		4,840
Prepaid Insurance	<u>2,017</u>	<u>-</u>	<u>2,017</u>
Total assets	<u>\$ 209,435</u>	<u>\$ 10</u>	<u>\$ 209,445</u>
<u>Liabilities and fund equity</u>			
<u>Liabilities:</u>			
Accounts and other payables	\$ 32,754	\$ -	\$ 32,754
Accrued expenses	<u>10,438</u>	<u>-</u>	<u>10,438</u>
Total liabilities	<u>43,192</u>	<u>-</u>	<u>43,192</u>
<u>Fund equity:</u>			
Unreserved - Reported In:			
General Fund	166,243	-	166,243
Capital Projects Fund	<u>-</u>	<u>10</u>	<u>10</u>
Total fund equity	<u>166,243</u>	<u>10</u>	<u>166,253</u>
Total liabilities and fund equity	<u>\$ 209,435</u>	<u>\$ 10</u>	<u>\$ 209,445</u>

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

Year Ended June 30, 2008

Total Fund Balances - Governmental Funds \$ 166,253

Amounts reported for governmental activities in the statement of net assets are
different because:

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds. 534,025

Long term liabilities are not due and payable in the current period and
therefore they are not reported in the Governmental Fund Balance Sheet (10,344)

Net Assets of Governmental Activities \$ 689,934

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds - Year Ended June 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Taxes:			
Ad valorem	\$ 73,510	\$ -	\$ 73,510
Sales tax	287,292	-	287,292
Licenses and permits:			
Occupational licenses	89,619	-	89,619
Franchise	63,778	-	63,778
Other permits	1,589	-	1,589
Intergovernmental:			
State funds	-	11,213	11,213
Local funds	-	-	-
Tobacco tax	2,444	-	2,444
Beer tax	5,614	-	5,614
Payment in lieu of taxes	6,823	-	6,823
Other	35,987	-	35,987
Total revenues	566,656	11,213	577,869
<u>Expenditures:</u>			
Current:			
General government	230,431	31	230,462
Public safety	154,897	-	154,897
Streets, drainage, and recreation	209,505	-	209,505
Capital outlays	12,665	-	12,665
Total expenditures	607,498	31	607,529
Excess (deficiency) of revenues over expenditures	(40,842)	11,182	(29,660)

Continued...

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Statement of Revenues, Expenditures, and Changes in Fund Balance Governmental Funds - Year Ended June 30, 2008

Concluded...

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficiency) of revenues over expenditures	<u>(40,842)</u>	<u>11,182</u>	<u>(29,660)</u>
<u>Other financing sources (uses):</u>			
Operating transfers in	48,899	6,300	55,199
Operating transfers out	<u>(42,796)</u>	<u>(17,511)</u>	<u>(60,307)</u>
Total other financing sources (uses)	<u>6,103</u>	<u>(11,211)</u>	<u>(5,108)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(34,739)	(29)	(34,768)
Fund balance - beginning of year	<u>200,982</u>	<u>40</u>	<u>201,022</u>
Fund balance - end of year	<u>\$ 166,243</u>	<u>\$ 11</u>	<u>\$ 166,254</u>

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Year Ended June 30, 2008

Net change in fund balances of Governmental Funds \$ (34,768)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (67,086)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures by governmental funds. 1,750

Change in net assets of governmental activities \$ (100,104)

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Statement of Net Assets

Proprietary Funds - Year Ended June 30, 2008

	<u>Business-Type Activities</u>		
	<u>Utility System</u>	<u>Non-Major Funds</u>	<u>Total</u>
<u>Assets</u>			
Current Assets:			
Cash and cash equivalents	\$ 143,410	\$ -	\$ 143,410
Receivables (net)	144,429	7,036	151,465
Interfund Receivable	(105)	105	-
Prepaid Insurance	<u>3,376</u>	<u>504</u>	<u>3,880</u>
Total current assets	<u>291,110</u>	<u>7,645</u>	<u>298,755</u>
Noncurrent Assets:			
Land	6,232	-	6,232
Depreciable capital assets, net	<u>2,407,382</u>	<u>1,180</u>	<u>2,408,562</u>
Total noncurrent assets	<u>2,413,614</u>	<u>1,180</u>	<u>2,414,794</u>
Total assets	<u>2,704,724</u>	<u>8,825</u>	<u>2,713,549</u>
<u>Liabilities and fund equity</u>			
<u>Liabilities:</u>			
Current Liabilities:			
Accounts and other payables	145,951	852	146,803
Interfund Payable	4,840	-	4,840
Accrued expenses	6,273	613	6,886
Deposits due others	96,754	-	96,754
Compensated Absences	<u>49,239</u>	<u>182</u>	<u>49,421</u>
Total liabilities	<u>303,057</u>	<u>1,647</u>	<u>304,704</u>
<u>Net Assets:</u>			
Invested in capital assets, net of related debt	2,413,614	1,180	2,414,794
Unrestricted	<u>(11,947)</u>	<u>5,998</u>	<u>(5,949)</u>
Total net assets	<u>\$ 2,401,667</u>	<u>\$ 7,178</u>	<u>\$ 2,408,845</u>

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Statement of Revenues, Expenditures, and Changes in Fund Net Assets Proprietary Funds - Year Ended June 30, 2008

	Business-Type Activities		
	Utility System	Non- Major	Total
<u>Operating Revenues:</u>			
Charges for services:			
Gas sales	\$ 419,573	\$ -	\$ 419,573
Water sales	246,798	-	246,798
Sewer charges	122,236	-	122,236
Sanitation charges	-	68,163	68,163
Delinquent charges	28,843	-	28,843
Miscellaneous	145	-	145
Total operating revenues	817,595	68,163	885,758
<u>Operating Expenses:</u>			
Natural gas purchases	284,853	-	284,853
Salaries and wages	216,737	37,032	253,769
Materials, supplies, and maintenance	116,525	1,323	117,848
Office and postage	10,779	-	10,779
Payroll taxes	15,234	2,981	18,215
Retirement	6,183	774	6,957
Vehicle and travel	19,823	4,395	24,218
Insurance	28,540	8,540	37,080
Professional fees	43,594	-	43,594
Sewer expense	2,581	-	2,581
Miscellaneous	4,575	363	4,938
Lease	6,250	-	6,250
Utilities and telephone	88,474	-	88,474
Depreciation	112,822	405	113,227
Total operating expenses	956,970	55,813	1,012,783
Operating income (loss)	(139,375)	12,350	(127,025)
<u>Non-operating revenues (expenses):</u>			
Capital Grant Proceeds	80,665	-	80,665
Interest income	2,944	-	2,944
Change in net assets before Contributions and transfers	(55,766)	12,350	(43,416)
<u>Contributions and Transfers:</u>			
Operating Transfers In	54,008	-	54,008
Operating Transfers Out	(38,723)	(10,177)	(48,900)
Change in net assets	(40,481)	2,173	(38,308)
Total net assets - beginning	2,442,148	5,005	2,447,153
Total net assets - ending	\$ 2,401,667	\$ 7,178	\$ 2,408,845

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Statement of Cash Flows

Proprietary Funds - Year Ended June 30, 2008

	Business-Type Activities		
	Utility System	Non-Major Funds	Total
<u>Cash flow from operating activities:</u>			
Cash received from customers	\$ 794,178	\$ 61,127	\$ 855,305
Cash payments to suppliers of goods and services	(558,234)	(19,022)	(577,256)
Cash payments to employees for service	(211,721)	(38,451)	(250,172)
Net cash provided (used) by operating activities	24,223	3,654	27,877
<u>Cash flows from non-capital financing activities:</u>			
(Increase) decrease in due from other funds	105	-	105
(Decrease) increase in due to other funds	(1,788)	6,523	4,735
Operating transfers, net	15,285	(10,177)	5,108
Net cash provided (used) by non-capital financing activities	13,602	(3,654)	9,948
<u>Cash flows from capital and related financing activities:</u>			
Acquisition and construction of capital assets	(104,675)	-	(104,675)
Capital Grant Proceeds	80,665	-	80,665
Net cash provided (used) by capital and related financing activities	(24,010)	-	(24,010)
<u>Cash flows from investing activities:</u>			
Interest and other income	2,944	-	2,944
Net cash provided (used) by investing activities	2,944	-	2,944
Net increase (decrease) in cash	16,759	-	16,759
Beginning cash balance	126,651	-	126,651
Ending cash balance	143,410	-	143,410
Cash - restricted	-	-	-
Cash - unrestricted	\$ 143,410	\$ -	\$ 143,410

The accompanying notes are an integral part of the financial statements.

Town of Colfax

Statement of Cash Flows (Continued)

Proprietary Funds - Year Ended June 30, 2008

	<u>Business-Type Activities</u>		
	<u>Utility</u>	<u>Non-Major</u>	
	<u>System</u>	<u>Funds</u>	<u>Total</u>
<u>Reconciliation of operating income (loss) to net cash</u>			
Operating Income (loss)	\$ (142,723)	\$ 12,350	\$ (130,373)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	112,822	405	113,227
(Increase) decrease in accounts receivable	(25,126)	(7,036)	(32,162)
(Increase) decrease in prepaid expenses	(551)	87	(464)
(Decrease) increase in accounts payable	66,578	(733)	65,845
(Decrease) increase in accrued expenses	4,424	613	5,037
(Decrease) increase in meter deposits	1,709	-	1,709
(Decrease) increase in compensated absences	592	(2,032)	(1,440)
Net cash provided (used) by operating activities	<u>\$ 17,725</u>	<u>\$ 3,654</u>	<u>\$ 21,379</u>

Supplemental disclosures of cash flow information:

For the years ended June 30, 2008 there were no investing, capital, and financing activities that did not result in cash receipts or payments.

The accompanying notes are an integral part of the financial statements.

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Colfax, Louisiana (the Town) was incorporated under the provisions of the Lawrason Act and operates under a Mayor-Board of Aldermen form of government. The Town provides various services including public safety (police and fire), streets and drainage, recreation, public improvements, utility (gas, water, sewerage, and sanitation), and general administrative services.

The accompanying policies of the Town of Colfax, Louisiana, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

Financial Reporting Entity

As the municipal governing authority, for reporting purposes the Town is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (the Town), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 establishes criteria for determining which component units should be considered part of the Town of Colfax for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - The ability of the Town to impose its will on that organization, and/or
 - The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based upon the above criteria, the Town of Colfax has no component units for the year ended June 30, 2008.

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. Both government-wide and fund financial statements categorize activities as either governmental activities or business-type activities, which are described as follows:

- Governmental activities involve government services that are normally supported by taxes and intergovernmental revenues.
- Business-type activities rely on fees and charges for support and operate in a manner similar to private sector enterprises.

The government-wide and fund financial statements present the Town's financial position and results of operations from differing perspectives which are described as follows:

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Town as a whole. The effect of most inter-fund activity is eliminated from these financial statements. Furthermore, government-wide financial statements exclude any fiduciary activities which are reported in the fund financial statements.

Program revenues reported in the Statement of Activities consist of amounts that are directly associated with a governmental service or business-type activity. Program revenues include charges for services, fines, court cost, contributions associated with a particular function and most grants.

Fund Financial Statements

Funds are separate accounting entities that are designed to assist with demonstrating legal compliance and segregating transactions by activity. Separate financial statements are provided for governmental funds and proprietary funds. In addition, separate financial statements are presented for any fiduciary activities. Major individual funds are reported as separate columns in the fund financial statements. The Town's major funds are described as follows:

- **Governmental Funds**
General fund – The general fund is the primary operating fund and is used to account for all governmental activities.
- **Proprietary Funds**
Utility System – The utility fund is used to account for the operation of the Town's water, sewer, and natural gas system which are supported by user charges.

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Proprietary fund revenues earned in exchange for providing services is reported as operating income and revenue from other sources is reported as non-operating. Since proprietary funds operate in a manner similar to business enterprises, these funds follow certain pronouncements that are developed by the Financial Accounting Standards Board (FASB) for business enterprises. However, the Town only applies those FASB pronouncements that were issued on or before December 30, 1989.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

<u>Financial Statement Presentation</u>	<u>Basis of Accounting</u>	<u>Measurement Focus</u>
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources
Proprietary Funds	Accrual Basis	Economic Resources
Fiduciary Funds	Accrual Basis	Economic Resources

Under the accrual basis of accounting and the economic resources measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred.

Under the modified accrual basis of accounting and the current financial resources measurement focus revenue is recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year-end. In addition, expenses are generally recorded when a liability has been incurred; however, debt service, compensated absences, claims and judgements are recorded as expenses when payment is made. Furthermore, when the current financial resources measurement focus is used, amounts recorded as assets excluding capital assets and the acquisition of capital assets is treated as an expenditure. In addition, long-term debts are excluded from amounts reported as liabilities. Proceeds from issuing long-term debt are reported as another financing source and repayment of long-term debt is reported as an expenditure.

Non-Exchange Transactions

Revenue from certain non-exchange transactions cannot be properly measured prior to collection. Furthermore, it is not practical to determine the probability of collection resulting from certain non-exchange transactions such as traffic citations. Consequently, revenue from franchise taxes, fines, and court cost is not recognized until it is collected.

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets

Restricted assets represent resources that must be expended in a specific manner. Restrictions of this nature are imposed by various contractual obligations including grant agreements and bond covenants. In situations where it is permissible to spend restricted resources, the Town typically depletes the available restricted resources before consuming unrestricted resources.

Budget Practices

The Mayor prepares an annual budget for the Town's general fund. This budget is submitted to the Board of Aldermen and an approved budget is adopted before the beginning of each fiscal year. Amended budgets are prepared prior to the conclusion of each fiscal year. The amended budgets are prepared and approved in the same manner as the original budget.

The general fund budget presents revenue and expenditures on a basis which is consistent with generally accepted accounting principles. No annual budget is required for the Town's Utility Fund.

Capital Assets

Capital assets are carried at historical cost or estimated historical cost including interest incurred during construction. Prior to July 1, 1989, there were few records supporting the cost; therefore, cost related to the Town's utility system is estimated based on information furnished by the Town's consulting engineers. Cost of buildings and equipment acquired prior to July 1, 1989, were estimated based on replacement cost.

Infrastructure capital assets consisting of streets, bridges, sidewalks, and drainage systems acquired before July 1, 2003, are excluded from capital assets. Depreciation associated with capital assets is computed using the straight-line method over the estimated useful lives of the assets.

Cash and Cash Equivalents

Amounts reported as cash and cash equivalents (restricted and unrestricted) include all cash on hand, cash in bank accounts, certificates of deposit, and highly liquid investments. Credit risk associated with bank deposits is limited by requiring fiscal agent banks to pledge securities as required by State Law. Furthermore, interest rate risk associated with certificates of deposits is typically mitigated by purchasing instruments that mature in one year or less.

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Encumbrance Accounting

Purchase orders, contracts, and other commitments to engage in future expenditures are referred to as encumbrances. Since encumbrances do not represent liabilities or current expenditures, encumbrances are not reported in the accompanying financial statements.

Compensated Absences

Accumulated unpaid vacation and compensatory pay have been accrued when incurred in the Proprietary Funds (using the accrual basis of accounting). These amounts relating to the Governmental Funds have been presented in the government-wide financial statements.

Statement of Cash Flows

For the purposes of reporting cash flows, cash and cash equivalents includes all cash on hand, cash in bank, and certificates of deposit.

Interfund Transactions

Resources belonging to particular funds are commonly shared with other funds that need access to additional resources. When resources are provided without expectation of repayment, the transaction is reported as a transfer. Transfers are treated as a source of income by the recipient and as an expense or expenditure by the provider. If repayment is eventually expected to occur, interfund receivables and payables are recorded.

In preparing the government-wide financial statements, transfers are eliminated to present net transfers for governmental activities and business-type activities. In addition, interfund receivables and payables are eliminated to present a net internal balance for each type of activity.

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2008, cash and cash equivalents totaled \$270,961 (book balance) and \$276,082 (bank balance). The book balance is considered unrestricted.

Under state law, these deposits must be secured by federal deposit insurance or by the pledge of securities held by the bank. The securities pledged are held in the name of the pledging bank in a custodial bank that is mutually acceptable to both parties. At June 30, 2008, all deposits with financial institutions were fully covered by federal deposit insurance of \$100,000 and pledged securities with a market value of \$260,913.

Even though the pledged securities are considered uncollateralized (Category 3), State law imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the Town that the pledging bank has failed to pay deposited funds on demand.

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 3 - RECEIVABLES

Receivables at June 30, 2008, consisted of the following:

	Governmental Activities	Business-Type Activities	Total
<u>Accounts Receivable</u>			
Charges for Services	\$ ----	\$ 85,027	\$ 85,027
Franchise Taxes	16,441	----	16,441
Other	48	1,005	1,053
Total Accounts Receivables	<u>16,489</u>	<u>86,032</u>	<u>102,521</u>
<u>Due From Other Governmental Units</u>			
Sales Taxes	50,042	----	50,042
Other	8,506	72,323	80,829
Total Due From Other Governmental Units	<u>58,548</u>	<u>72,323</u>	<u>130,871</u>
Total Receivables	75,037	158,355	233,392
Allowance for Doubtful Accounts	----	(6,890)	(6,890)
Net Receivables	<u>\$ 75,037</u>	<u>\$ 151,465</u>	<u>\$ 226,502</u>

NOTE 4 – LONG-TERM LIABILITIES

The following are liabilities due in more than one year:

	Governmental Activities	Business-Type Activities	Total
Compensated Absences	<u>\$ 10,344</u>	<u>\$ 49,421</u>	<u>\$ 59,765</u>

Changes in the Town's long-term liabilities for the year ended June 30, 2008, is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities</u>				
Compensated absences	\$ 12,094	\$ ----	\$ 1,750	\$ 10,344

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Business-Type Activities

Compensated Absences	50,861	----	1,440	49,421
Total Long-Term Liabilities	<u>\$ 62,955</u>	<u>\$ ----</u>	<u>\$ 3,190</u>	<u>\$ 59,765</u>

NOTE 5 – AD VALOREM TAXES

Ad valorem taxes are assessed on a calendar year basis and are due on or before December 31 in the year the tax is levied. Property taxes are recognized in compliance with NCGA Interpretation 3 - (Revenue Recognition - Property Taxes) which states that such revenue is recorded when it becomes measurable and available. Available means due or past due and collected no longer than 60 days after the close of the current period.

For the year ended June 30, 2008, the Town levied 9.82 mills of ad valorem taxes totaling \$73,510 which were dedicated to the general corporate purposes of the Town.

NOTE 6 - FIXED ASSETS

Changes in the governmental and business-type capital assets are presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Non Depreciable Capital Assets				
Land	\$ 207,068	\$ ----	\$ ----	\$ 207,068
Total	<u>207,068</u>	<u>----</u>	<u>----</u>	<u>207,068</u>
Depreciable Capital Assets				
Buildings	47,076	----	----	47,076
Improvements	706,246	----	----	706,246
Equipment	364,496	12,665	----	377,161
Accumulated Depreciation	(723,775)	(79,751)	----	(803,526)
Total	<u>394,043</u>	<u>(67,086)</u>	<u>----</u>	<u>326,957</u>
Total Governmental Activities	<u>\$ 601,111</u>	<u>(67,086)</u>	<u>\$ ----</u>	<u>\$ 534,025</u>

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

Business-Type Activities

Non Depreciable Capital Assets

Land	\$ 6,232	\$ ---	\$ ---	\$ 6,232
Construction in Process	1,005,650	24,010	(1,029,660)	---
	<u>1,011,882</u>	<u>24,010</u>	<u>(1,029,660)</u>	<u>6,232</u>

Depreciable Capital Assets

Sanitation Equipment	37,254	---	---	37,254
Sanitation Improvements	2,024	---	---	2,024
Utility Buildings	5,380	---	---	5,380
Utility Equipment	169,754	---	---	169,754
Utility Distribution System	3,956,997	1,110,325	---	5,067,322
Accumulated Depreciation	(2,759,945)	(113,227)	---	(2,873,172)
Total	<u>1,411,464</u>	<u>997,098</u>	<u>---</u>	<u>2,408,562</u>

Total Business-Type Activities	<u>\$ 2,423,346</u>	<u>\$ 1,021,108</u>	<u>\$ (1,029,660)</u>	<u>\$2,414,794</u>
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Depreciation expense reported by the various functions is presented as follows:

Governmental Activities

General Government	\$ 5,921
Public Safety	18,075
Streets, Drainage, & Recreation	55,755
Total Depreciation – Governmental Activities	<u>\$ 79,751</u>

Business-Type Activities

Utility System	\$ 112,822
Sanitation	405
Total Depreciation – Business-Type Activities	<u>\$ 113,227</u>

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following is a summary of accounts payable and accrued expenses at June 30, 2008:

	<u>Payable to</u> <u>Vendors</u>	<u>Accrued</u> <u>Expenses</u>	<u>Total</u>
<u>Governmental Activities</u>			
General Fund	\$ 32,754	\$ 10,438	\$ 43,192

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

<u>Business-Type Activities</u>			
Utility System	145,951	6,273	152,224
Non-Major	852	613	1,465
Total Business-Type	<u>146,803</u>	<u>6,886</u>	<u>153,689</u>
Total Accounts Payable And Accrued Expenses	<u>179,557</u>	<u>17,324</u>	<u>196,881</u>

NOTE 8 – COMPENSATION OF ELECTED OFFICIALS

Payments to the Board of Aldermen for the year ended June 30, 2008, were as follows:

	<u>Position</u>	<u>Amount</u>
Gerald Hamilton	Mayor	\$ 14,400
Alan Futrell	Alderman	4,200
David Clark	Alderman	4,200
Lourain Lacour	Alderman	4,200
Lorraine Sapp	Alderman	4,200
Cora Reed	Alderman	4,200
		<u>\$ 35,400</u>

NOTE 9 - RISK MANAGEMENT

The Town of Colfax is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks of loss are covered by a comprehensive commercial insurance policy and participation in a public entity risk pool that operates as a common insurance program. Claims resulting from these risks have historically not exceeded insurance coverage.

NOTE 10 – CONDUIT DEBT

To provide for the construction of a warehouse/distribution facility, land and infrastructure improvements, the Town of Colfax issued \$2,300,000 of indebtedness to the Louisiana Department of Economic Development. This debt is a limited special obligation of the Town, payable solely from and secured by a pledge of rental income to be received from a lease agreement between the Town and Ditto Apparel of California, Inc. This debt does not constitute a debt or pledge of the faith and credit of the Town, and accordingly has not been reported in the accompanying financial statements.

At June 30, 2008, the balance of the debt outstanding aggregated \$1,500,000.

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 11 - TRANSFERS

In the ordinary course of business, the Town routinely transfers resources between its funds in order to cover expenses as necessary. The transfers are presented as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
<u>Governmental Activities</u>			
General Fund	\$ 48,899	\$ 42,796	\$ 6,103
Non-Major	6,300	17,511	(11,211)
Total Transfers In	<u>55,199</u>	<u>60,307</u>	<u>(5,108)</u>
<u>Business-Type Activities</u>			
Utility System	54,008	38,723	15,285
Non-Major	----	10,177	(10,177)
Total Transfers Out	<u>54,008</u>	<u>48,900</u>	<u>5,108</u>
Net Transfers	<u>\$ 109,207</u>	<u>\$ 109,207</u>	<u>\$ ----</u>

NOTE 12 – INTERFUND RECEIVABLES AND PAYABLES:

In the ordinary course of business, the Town routinely records an interfund receivable and payable from the utility system to the sanitation in order to properly record sanitation revenues. These receivables and payables are paid off at the end of each month. For the year ended June 30, 2008, the interfund balance between the funds was \$4,840.

NOTE 13- PENSION PLAN

Substantially all employees of the Town of Colfax, Louisiana, are members of the Municipal Employees Retirement Systems of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. Pertinent information relative to the plan follows:

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan B.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible

TOWN OF COLFAX

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

to participate in the System. Under Plan B, employees who retire at or after age 60 with at least 10 years of creditable service at or after age 55 with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final average monthly salary in excess of \$100 for each year of creditable service. Furthermore, employees with at least 10 years of creditable service, but less than 30 years, may take early retirement benefits commencing at or after age 60, with the basic benefit reduced 3 percent for each year retirement precedes age 62, unless he has at least 30 years of creditable service. In any case, monthly retirement benefits paid under Plan B cannot exceed 100 percent of final average salary. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy. Under Plan B, members are required by state statute to contribute 5.0 percent of their annual covered salary and the Town of Colfax is required to contribute at an actuarially determined rate. The current rate is 3.75% of covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Town of Colfax are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

Town of Colfax

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

Year Ended June 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes				
Ad valorem	\$ 69,000	\$ 73,000	\$ 73,510	\$ 510
Sales taxes	275,000	275,000	287,292	12,292
License and permits				
Occupational licenses	58,000	55,000	89,619	34,619
Franchise fees	60,000	65,000	63,778	(1,222)
Other permits	-	-	1,589	1,589
Charges for services	4,450	3,825	4,325	500
Intergovernmental				
Beer taxes	7,500	4,000	5,614	1,614
Tobacco taxes	7,500	2,400	2,444	44
Payment in lieu of taxes	5,215	5,215	6,823	1,608
Other	17,500	27,800	31,662	3,862
Total revenues	504,165	511,240	566,656	55,416
Expenses:				
General government	355,900	395,800	230,431	165,369
Public Safety	125,660	116,000	154,897	(38,897)
Streets, Drainage, and Recreation	112,500	112,500	193,056	(80,556)
Recreation	8,500	15,000	16,449	(1,449)
Capital Outlay	80,000	5,000	12,665	(7,665)
Total Expenses	682,560	644,300	607,498	36,802
Excess (deficiency) of revenues over expenditures	(178,395)	(133,060)	(40,842)	92,218
Other financing sources (uses):				
Operating transfers in	135,000	50,000	48,899	(1,101)
Operating transfers out	-	-	(42,796)	(42,796)
Total other financing sources (uses)	135,000	50,000	6,103	(43,897)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(43,395)	(83,060)	(34,739)	48,321
Fund balance - beginning of year	200,982	157,587	200,982	43,395
Fund balance - end of year	\$ 157,587	\$ 74,527	\$ 166,243	\$ 91,716

Town of Colfax

General Fund

Schedule of Expenses - Budget and Actual Year Ended June 30, 2008

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>General Government:</u>				
Salary - Elected Officials	\$ 35,400	\$ 35,400	\$ 35,400	\$ -
Salaries - office	49,400	49,400	38,971	10,429
Payroll Taxes	21,500	21,500	19,085	2,415
Equipment Maintenance	30,000	25,000	767	24,233
Gas and Oil	27,000	35,000	2,259	32,741
Office and Printing	16,500	16,500	17,464	(964)
Utilities and Phone	67,500	75,000	38,272	36,728
Insurance	37,000	47,000	-	47,000
Dues and Subscriptions	3,000	3,000	1,898	1,102
Miscellaneous	12,500	18,500	10,946	7,554
Professional Fees	24,000	50,000	40,604	9,396
Mayor's Expense	1,000	1,000	-	1,000
Other Labor	1,500	1,000	302	698
Travel and Seminar	12,500	7,500	6,638	862
Retirement	9,600	2,500	2,469	31
Sales tax administration	7,500	7,500	6,722	778
Equipment Leasing	-	-	6,122	(6,122)
Airport Expense	-	-	1,262	(1,262)
Demolition and Removal	-	-	1,250	(1,250)
Total General Government	355,900	395,800	230,431	165,369
<u>Public Safety:</u>				
Police Department Salaries	100,000	100,000	98,892	1,108
Police Department Expenses	16,000	16,000	20,057	(4,057)
Retirement-Police	9,660	-	-	-
Repairs & Maintenance	-	-	6,698	(6,698)
Gas & Oil	-	-	14,166	(14,166)
Utilities and Telephone	-	-	2,816	(2,816)
Insurance	-	-	12,268	(12,268)
Total Public Safety	125,660	116,000	154,897	(38,897)
<u>Streets, Drainage, and Recreation:</u>				
Streets and Drainage				
Salaries	80,000	75,000	74,016	984
Supplies and Materials	27,500	32,500	32,319	181
Aloha-Rigolette Maintenance	5,000	5,000	-	5,000
Repairs and Maintenance	-	-	15,452	(15,452)
Gas and Oil	-	-	16,705	(16,705)
Utilities and Telephone	-	-	35,251	(35,251)
Insurance	-	-	19,313	(19,313)
Total Streets and Drainage	112,500	112,500	193,056	6,165

Continued...

Town of Colfax

General Fund

Schedule of Expenses - Budget and Actual

Year Ended June 30, 2008

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Streets, Drainage, and Recreation (cont.):</u>				
Recreation				
Ball Parks/Parks & Recreation	5,000	1,000	1,600	(600)
Festivals and Parades	3,500	14,000	14,849	(849)
Total Recreation	<u>8,500</u>	<u>15,000</u>	<u>16,449</u>	<u>(1,449)</u>
Total Streets, Drainage, and Recreation	<u>121,000</u>	<u>127,500</u>	<u>209,505</u>	<u>4,716</u>
<u>Sanitation:</u>				
Salaries	-	-	-	-
Supplies and Materials	-	-	-	-
Total Sanitation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Capital Outlay:</u>				
Equipment	30,000	-	12,665	(12,665)
Other	50,000	5,000	-	5,000
Total Capital Outlay	<u>80,000</u>	<u>5,000</u>	<u>12,665</u>	<u>(7,665)</u>
Total Expenses	<u>\$ 682,560</u>	<u>\$ 644,300</u>	<u>\$ 607,498</u>	<u>\$ 123,523</u>

Town of Colfax

Combining Balance Sheet Non Major Governmental Funds June 30, 2008

	<u>LCDBG Sewer Project</u>	<u>Aloha Rigolette Project</u>	<u>Total Non-Major Funds</u>
<u>Assets</u>			
Cash and cash equivalents	\$ -	\$ 10	\$ 10
Total assets	\$ -	\$ 10	\$ 10
<u>Liabilities and fund equity</u>			
<u>Liabilities:</u>			
Accounts and other payables	\$ -	\$ -	\$ -
Total liabilities	-	-	-
<u>Fund equity:</u>			
Unreserved - Reported In Capital Projects Fund	-	10	\$ 10
Total fund equity	-	10	10
Total liabilities and fund equity	\$ -	\$ 10	\$ 10

Town of Colfax

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Non Major Governmental Funds

Year Ended June 30, 2008

	LCDBG Sewer Project	Aloha Rigolette Project	Total Non-Major Funds
Revenues:			
Grant Revenues	\$ -	\$ -	\$ -
Intergovernmental Funds			-
State	11,213		11,213
Local funds	-	-	-
Other	-	-	-
Total revenues	11,213	-	11,213
Expenditures:			
Current:			
General government	31		31
Streets, drainage, and recreation	-	-	-
Capital outlays	-	-	-
Total expenditures	31	-	31
Excess (deficiency) of revenues over expenditures	11,182	-	11,182
Other financing sources (uses):			
Operating transfers in	6,300	-	6,300
Operating transfers out	(17,512)	-	(17,512)
Total other financing sources (uses)	(11,212)	-	(11,212)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(30)	-	(30)
Fund balance - beginning of year	30	10	40
Fund balance - end of year	\$ -	\$ 10	\$ 10

TOWN OF COLFAX

Summary of Findings and Questioned Costs June 30, 2008

Part I - Summary of Auditor's Results:

- The Independent Auditor's Report on the general purpose financial statements for the Town of Colfax, Louisiana, as of June 30, 2008, and for the year then ended expressed an unqualified opinion.
- There were four reportable conditions noted in the audit.
- One instance of noncompliance material to the financial statements of the Town of Colfax, Louisiana were disclosed during the audit.
- The Town is not required to have a Single Audit; reporting required by OMB Circular A-133 is not required.

Part II - Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

- None.

Part III - Findings and Questioned Costs for Federal Awards Which Shall Include Audit Findings as Defined by OMB Circular A-133:

- None.

TOWN OF COLFAX

Management's Corrective Action Plan June 30, 2008

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.

Finding 2008-1 - Subsequent to year end the Legislative Auditor issued a compliance review, dated October 29, 2008, of the findings reported in the Town's June 30, 2007 audited financial statements. In addition, the Legislative Auditor applied their *Checklist of Best Practices*, and noted the following items:

1. Natural Gas Losses: "Management to continue its efforts to identify the causes of the natural gas losses."
2. Financial Statements and Budget Comparison: "The clerk to present the board with monthly financial statements ...and budget comparisons" in addition to the monthly cash expense and accounts payable report.
3. General Fund Deficit Spending: "Management to prepare a written plan to reduce spending in the general fund."
4. Utility Fund Budget/Operating Losses: "An annual budget for the utility fund is prepared...and a written plan to eliminate operating losses be prepared."

Management's Response:

We have addressed this comment below in the management letter section.

The Council is very involved and informed in the operations of the Town. The Council is provided quarterly budget comparisons and closely monitor the budget to ensure that budget violations do not occur. In addition, we have turned this matter over to our finance committee to determine what information they need each month to effectively manage the Town's finances.

We agree that general fund expenditures have exceeded general fund revenues over the past several years. For the year ended June 30, 2008, expenditures have exceeded revenues once again. However, as of June 30, 2008, we still have \$166,243 in general fund balance.

For the year ended June 30, 2008 we had an operating loss of \$142,723 but this includes depreciation of \$112,822. Therefore, our actual operating loss was \$29,901. As mentioned in the comment ML-1-2008 below, natural gas losses are our biggest problem. We think we have lost several hundred thousand dollars from

TOWN OF COLFAX

Management's Corrective Action Plan June 30, 2008

<p>5. Accounting System Update: The "accounting system be updated to a fully computerized system."</p> <p>6. Budget adoption instrument: "For the Town to adopt the annual budget and amended budgets by ordinance rather than by resolution."</p> <p>7. Written Policies: "For the Town to develop and implement written policies" in many areas.</p> <p>Purchasing Procedures Credit cards Travel Expenses Time Cards Traffic Tickets</p>	<p>this problem.</p> <p>In addition, State Law does not require that a budget be prepared, adopted, or approved by the Town Council. We will turn this issue over to our finance committee to review the recommendation and make the needed implementation.</p> <p>We presently have a computerized billing system and payroll system. The only non-computerized system is our general ledger which is posted and reconciled each month. We will review the cost of a new computer system and explore the available software systems and determine if the expected benefits exceed the cost of implementation.</p> <p>Historically we have adopted all budgets and amended budgets by ordinance. However, in 2008 we simply adopted the budgets by resolution. In the future we will adopt all budgets and any amendments by ordinance. Furthermore, we will included in the adoption documents the Mayor's authority to make changes within various budget classifications without approval of the Town Council.</p> <p>For each of the areas shown to the left, we agree that we do not have written policies. However, we do have long-standing established procedures that we follow. We have three employees in the administrative office that have been employed for many years with the Town and they have developed standard procedures which they follow each day. We will begin the process of developing our written procedures. This issue will be turned over to the finance committee to oversee the completion of these polices and procedures.</p>
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TOWN OF COLFAX

Management's Corrective Action Plan June 30, 2008

<p>8. Festival and parade expenditures: In two areas we were asked to "consult the Town's legal advisor about the legality of these expenditures." These expenditures included the Pecan Festival and the Christmas parade.</p> <p>9. Customer Utility Accounts: The recommendation was "that management reconcile the general ledger control account with the accounts receivable subsidiary account each month and investigate the difference."</p>	<p>In addition to the information above we will begin implementing written policies for each of the additional items. We are currently working on the following for each of the additional items:</p> <p>Purchasing procedures we do have purchase order system but we do not have a written policy.</p> <p>We will be cancelling all missing credit cards as soon as possible.</p> <p>We will begin requiring that travel reports be submitted.</p> <p>We will review our current time card procedures to ensure that all employees prepare and sign their own time cards and that the time cards are approved by the employees supervisor.</p> <p>We will be working with the Elected Police Chief in addition to the Finance Committee on establishing the policy for ticket book controls.</p> <p>We have turned both of these issues over to our legal council for advice on the legality of these expenditures.</p> <p>This difference was the result of write offs or bad receivables that were sent to collection, but this adjustment was not made on the general ledger. We are currently working to reconcile the difference noted between the general ledger accounts receivable balance and the accounts receivable report.</p>
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TOWN OF COLFAX

Management's Corrective Action Plan June 30, 2008

<p>10. Past Due Accounts: The recommendation was that "management develop and enforce a uniform cut-off policy."</p>	<p>We have addressed this issue in finding ML-2-2008 below.</p>
<p>11. Customer Meter Deposit: The recommendation is that "management reconcile the meter deposit cash account with the general ledger control account."</p>	<p>We will begin reconciling the general ledger control accounts to the meter deposit cash account. The differences noted are due to interest earnings that have remained in the meter deposit cash account.</p>
<p>12. Computer backups and disaster recover: Two recommendations were made that management develop a computer backup system, off site storage capabilities, disaster recovery plan, and review the Town's hardware and software needs and critical mission data</p>	<p>We presently have a fireproof vault that all records are stored in. We are currently reviewing our computer back up capabilities and the need for off site storage. We will be implementing the recommendations above as time and money permit.</p>
<p>13. Segregation of Duties: The recommendation was that "payroll duties be segregated to the extent possible."</p>	<p>There are three administrative employees that work very hard to provide adequate checks and balances. One clerk's primary duties are payroll and payroll related expenditures. The Town clerk also reviews the payroll for accuracy before the checks are issued. We will be review our procedures and will make any necessary changes to ensure timely and accurate payrolls are prepared.</p>
<p>14. Vacation and sick leave records: The recommendation was that "the Town require its employees to complete standardized annual and sick leave forms."</p>	<p>We are currently reviewing our procedures with regards to vacation and sick leave. We will be implementing any necessary changes to ensure that timely and accurate records are maintained.</p>
<p>15. Reporting Traffic Violations: The recommendation was that "the Town</p>	<p>We will be working with the Police Chief, the Finance Committee, and the Court Magistrate to</p>

TOWN OF COLFAX

Management's Corrective Action Plan June 30, 2008

<p>should comply with state law and report traffic violations with DPS.”</p> <p>16. Capital Assets: The recommendation was “that a complete physical inventory of capital assets be taken and any discrepancies with the inventory be investigated.”</p> <p>17. Confiscated evidence: The recommendation was that the “Town police department improve its controls over confiscated evidence.”</p> <p>18. Organizational chart and job description: The recommendation was that the “Town develop organizational charts and that job descriptions be developed for each position.”</p>	<p>develop written procedures to ensure future compliance.</p> <p>Periodically an inventory is performed. We will schedule a physical inventory in the near future and investigate any differences.</p> <p>We will require the Police Chief to review his policies on confiscated evidence and implement written policies. We will periodically require the Chief to present reports to the Council on the status of any physical inventory counts.</p> <p>We are working on developing job descriptions and organizational charts. However, due to the size of the Town, we believe every employee is aware of who their supervisor is. In addition, any employee may talk with the Town Clerk or the Mayor for guidance.</p>
<p><u>SECTION II</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS</p>	
<p>Not applicable.</p>	<p>Not Applicable.</p>

TOWN OF COLFAX

Management's Corrective Action Plan June 30, 2008

SECTION III MANAGEMENT LETTER

ML-1-2008, Natural Gas Losses:

Over the three year period gas losses have ranged from 18.7% to 25.2%. Such losses are costly and may be dangerous to the public. Possible explanations for the loss of gas are leakage and/or worn out meters that do not accurately measure the amount of gas delivered to customers.

ML-2-2008, Utility Cutoff Procedures:

During our work on the Town's utility system, we noted that past due utility bills are still at a high level. We are concerned that these increases may be attributable to a lack of a uniform cutoff policy. Our test work also showed that some employees are slow to pay their bills as well as an elected officials. We recommend the Town establish and enforce a uniform cutoff policy.

We also noted that final bills that have not been paid by the customer are not being reported to a collection agency for possible collection.

ML-3-2008, Mileage Reimbursement:

During our work we became aware that the Town does not have a written policy regarding the use of Town vehicles.

Response:

We have engaged a specialist whose current findings should be helpful to alleviate some of the gas losses and who will continue to consult with us on gas related issues. We are and will continue to diligently work to resolve this issue.

Response:

We will review our cutoff policies and take any corrective action as deemed necessary. In addition we will begin reviewing accounts receivable reports & delinquent reports at each council meeting.

We will begin turning unpaid final bills over to collections.

Response:

The Town is working in the process of reviewing the current policies in effect and will take any corrective action as needed.

TOWN OF COLFAX

Summary of Prior Year Findings and Questioned Costs June 30, 2008

<u>SECTION I</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS.	
No Findings of this nature.	No response necessary.
<u>SECTION II</u> INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS	
No Findings of this nature.	No response necessary.
<u>SECTION III</u> MANAGEMENT LETTER	
<u>ML-1-2007, Natural Gas Losses:</u> Over the three year period gas losses have ranged from 18.7% to 25.2%. Such losses are costly and may be dangerous to the public. Possible explanations for the loss of gas are leakage and/or worn out meters that do not accurately measure the amount of gas delivered to customers.	<u>Response:</u> Unresolved. We have engaged a specialist whose current findings should be helpful to alleviate some of the gas losses and who will continue to consult with us on gas related issues. We are and will continue to diligently work to resolve this issue.

TOWN OF COLFAX

Summary of Prior Year Findings and Questioned Costs June 30, 2008

<p><u>ML-2-2007, Utility Cutoff Procedures:</u> During our work on the Town's utility system, we noted that past due utility bills are still at a high level. We are concerned that these increases may be attributable to a lack of a uniform cutoff policy. Our test work also showed that some employees are slow to pay their bills as well as an elected officials. We recommend the Town establish and enforce a uniform cutoff policy.</p> <p>We also noted that final bills that have not been paid by the customer are not being reported to a collection agency for possible collection.</p> <p><u>ML-3-2007, Mileage Reimbursement:</u> During our work we became aware that the Town does not have a written policy regarding the use of Town vehicles.</p>	<p><u>Response:</u> We have begun the process of adopting uniform cutoff policy.</p> <p>We will begin turning unpaid final bills over to collections.</p> <p><u>Response:</u> The Town is in the process of reviewing the current policies in effect and will take any corrective action as needed.</p>
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ROZIER, HARRINGTON & MCKAY

CERTIFIED PUBLIC ACCOUNTANTS

1407 PETERMAN DRIVE • ALEXANDRIA, LOUISIANA 71301

JOHN S. ROZIER, IV, CPA
MARK S. MCKAY, CPA
LEE W. WILLIS, CPA
STEVEN E. KIMBALL, CPA
RHONDA L. RACHAL, CPA

MAILING ADDRESS
POST OFFICE BOX 12178
ALEXANDRIA, LOUISIANA 71315-2178
TELEPHONE (318) 442-1608
TELECOPIER (318) 487-2027

M. DALE HARRINGTON, CPA
RETIRED - 2005

December 23, 2008

Town of Colfax
Colfax, Louisiana

In planning and performing the audit we were engaged to perform on the financial statements of the Town of Colfax for the year ended June 30, 2008, we became aware of some issues that should be addressed by the Mayor and Council.

Natural Gas Losses:

A summary of gas purchases and resale to customers over the last four years is as follows:

	For the Year ended June 30, 2008				
	2004	2005	2006	2007	2008
Gas Purchases (MCF)	33,633	31,922	31,049	30,337	29,289
Gas Sales (MCF)	27,318	25,118	25,275	22,682	22,041
Gas Loss (MCF)	6,315	6,804	5,774	7,655	7,248
Gas Loss as a Percentage of Purchases	18.7%	21.3%	18.6%	25.2%	24.7%

Over the five year period gas losses have ranged from 18.6% to 24.7%. Possible explanations for the loss of gas are leakage and/or worn out meters that do not accurately measure the amount of gas delivered to customers. We believe the Town needs to continue investigating these losses to determine the cause of the shortages.

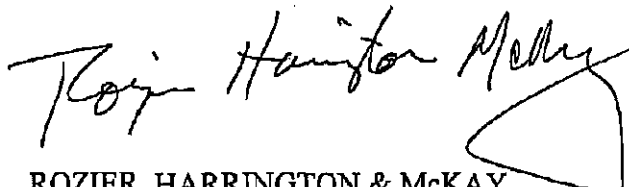
Utility Cutoff Procedures:

During our work on the Town's utility system, we noted that past due utility bills are still at an increased level. We are concerned that this increase may be attributable to a lack of a uniform cutoff policy. We also noted that some employees are slow to pay. We recommend the Town establish and enforce a uniform cutoff policy.

In addition, we also noted that final bills that are not paid by customers are not being reported to a collection agency for possible collection.

Mileage Reimbursement:

During our work we became aware that the Town does not have a written policy regarding the use of Town vehicles. We recommend that the Town adopt such a written policy.



ROZIER, HARRINGTON & MCKAY,
Certified Public Accountants